



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

095826

~~7.14.111~~

MANPOWER AND WELFARE  
DIVISION

JUN 10 1974

B-133142

74-0391

The Honorable  
The Secretary of Defense



Dear Mr. Secretary:

We have surveyed the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) in the European area. Under CHAMPUS the Department of Defense (DOD) pays, or provides reimbursement for, medical expenses incurred in civilian facilities by dependents of active duty and deceased military personnel and retired military personnel and their dependents.

The Office of CHAMPUS in Denver, Colorado, is responsible for administering CHAMPUS in the United States, Canada, Mexico, and Puerto Rico. The Office of CHAMPUS is directly responsible to DOD. In the European area CHAMPUS is administered by the Office of the Civilian Health and Medical Program of the Uniformed Services, Europe (OCHAMPUSEUR). OCHAMPUSEUR is under the Assistant Chief of Staff, Comptroller, United States Army Medical Command, Europe, in Heidelberg, Germany, and is responsible to the Office of the Surgeon General, Department of the Army.

Our survey concentrated on the program's management in the European area, where claims costs were about \$4 million during fiscal year 1973. We identified certain matters which we thought needed further management attention.

We want to direct your attention to the fact that this report contains recommendations to you which are set forth on pages 8 and 9. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions he has taken on our

BEST DOCUMENT AVAILABLE

~~702135~~ [ 095826 ]

recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report, and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. of 500  
70030-0

REASONABLENESS OF CHARGES NOT EVALUATED

Army Regulation 40-121 states that only reasonable charges will be paid for authorized health benefits. However, OCHAMPUSEUR had not established a system to evaluate the reasonableness of charges.

OCHAMPUSEUR officials believed potential savings might justify the cost and effort involved in determining reasonable fees only in Germany, where about \$2.1 million of the \$4 million was spent, and the United Kingdom, where fiscal year 1973 claims costs were about \$760,000. They said the use of fee schedules might (1) harm relations with the host nation and (2) result in fee increases by some physicians who were charging less than the amounts that would be allowed.

Schedules for the rates permitted under the German health insurance program for 1973 were not available at OCHAMPUSEUR. We compared the fees charged OCHAMPUSEUR in 1972 and 1973 for 39 medical services with standard fees permitted under the German health insurance program for 1971-72. The rates charged OCHAMPUSEUR were generally two to three times the amount allowed under the German health insurance program. Charges to OCHAMPUSEUR ranged from 136 percent to 500 percent of the standard fees. OCHAMPUSEUR advised us that German doctors may charge uninsured patients up to six times the rates shown in the schedules. It appeared that physicians' charges to OCHAMPUSEUR for similar procedures varied. For example, charges for electrocardiograms ranged from \$5 to \$15.

In January 1973 OCHAMPUSEUR requested guidance on establishing reasonable fees from the Office of the Surgeon General, which forwarded the request to DOD. However, as of February 1974, when we discussed this matter with DOD officials, no guidance had been provided. DOD officials said that data

needed to determine the reasonableness of fees in the OCHAMPUSEUR area was not available and that it would take considerable effort to develop such data. The officials stated that it was a low-priority area and that they were not sure that the effort would be justified.

In January 1974 OCHAMPUSEUR established reasonable fee criteria for orthodontic care, which represented about one-fourth of the fiscal year 1973 OCHAMPUSEUR claims costs.

At our request OCHAMPUSEUR requested data on allowable fees from a German private insurance company. We were advised that the company did not have a fee schedule and would be unwilling to release such information even if it were available.

We believe that DOD should obtain the necessary data to establish a basis upon which to judge the reasonableness of medical fees in Germany and the United Kingdom. OCHAMPUSEUR should use this data to establish reasonable fee schedules.

#### CLAIMS PROCESSING NEEDS IMPROVEMENT

We randomly reviewed 114 of the 20,000 claims processed by OCHAMPUSEUR in fiscal year 1973. Incorrect payments--totaling about \$2,000--were made on 24 of these claims. Also, in a number of cases, the information on the claims was incomplete and we were unable to determine whether the payment was correct. Examples of errors were:

--A claimant requested reimbursement for \$912. OCHAMPUSEUR paid \$1,290. Although OCHAMPUSEUR could not reconstruct the way the payment was computed, it was evident that some of the charges were paid twice. We brought this to OCHAMPUSEUR's attention and were told later that the overpayment had been collected.

--A claimant submitted doctors' bills for \$377. The bills did not show the diagnosis, description of services, or the dates services were rendered. The claim was paid although it was impossible to determine

whether the services were allowable under the program or if the charges were reasonable.

- One claim for 30 Deutsche Marks (about \$11) was dated 10-5-73. OCHAMPUSEUR paid 105 Deutsche Marks (about \$38)--the figure of the date--rather than the amount due. After we brought this to OCHAMPUSEUR's attention, the physician was notified and he agreed to refund the overpayment.
- There were several instances where outpatient benefit costs were paid as inpatient benefit costs. In these cases claimants were overpaid because they would have had to pay a larger portion of outpatient costs than inpatient costs.
- In one case \$1,140 was paid for a handicap claim covering 18 round trips, costing \$70 each, made in 11 different months to an institute for the deaf. Although the claimant's share of costs should have been \$330 (\$30 per month), the OCHAMPUSEUR adjudicator deducted only \$30 a quarter. As a result the claimant received an overpayment of \$210. After our review OCHAMPUSEUR said that it had requested a refund of \$210 but had not received a reply.

Although most of the errors we found were not large and some resulted in underpayments, the number of errors shows a need for greater care in processing claims.

In March 1973 the Army Audit Agency reported similar deficiencies in OCHAMPUSEUR's claims processing practices. OCHAMPUSEUR advised the Agency that claims would be reviewed more carefully before payment. However, as pointed out above, OCHAMPUSEUR still needs to improve its claims processing practices.

The OCHAMPUSEUR program administrator advised us that, to improve claims adjudication, he has:

- Developed a written guide for adjudicators to use in reviewing claims.

- Assigned claims to adjudicators by the name of the sponsor to insure that the same adjudicator works on all claims for the same family.

In addition, the OCHAMPUSEUR administrator plans to:

- Have a military officer review and certify all claims.
- Divide the adjudicators into two teams and supervise them more closely.
- Establish performance standards for adjudicators based on the number of claims processed and error rates.
- Have a quality control specialist make a detailed survey of at least 10 percent of all completed claims selected at random. The specialist will audit the entire family claim file on the initial review. Records will be maintained and error rates for adjudicators will be computed.

These actions and plans, if properly implemented, should improve OCHAMPUSEUR's claims processing practices.

#### REVIEW OF HANDICAP CARE APPLICATIONS NEEDS IMPROVEMENT

Under CHAMPUS a beneficiary can be eligible for (1) basic program benefits, which consist of a wide range of medical benefits, and (2) handicap program benefits, which consist of benefits provided to moderately or severely retarded or seriously physically handicapped eligible dependents of active duty personnel. The handicap program benefits include special educational benefits, such as speech therapy and special tutoring.

Our review of eight handicap program applications--other than applications for orthodontic work--indicated that the severity of handicaps was not generally supported by objective means, such as intelligence tests or hearing tests. Five of the eight case files did not contain diagnostic test results.

The OCHAMPUSEUR consultant, who reviews handicap program applications, reviewed three of the eight cases at our request. He said two of them would not be reapproved when they came up for annual review because the handicaps were not severe enough to qualify under the program.

The consultant advised us that, in the past, handicap criteria had been liberally interpreted but beginning in September 1973 the criteria for eligibility under the handicap program--particularly eligibility for special educational benefits--had been tightened. He said that, since the criteria had been tightened, applications for special educational benefits had declined.

OCHAMPUSEUR officials said a beneficiary must obtain a statement of nonavailability to be eligible for special educational benefits under the handicap program. This is a statement from the principal of the DOD school serving the area where the beneficiary resides stating that the DOD school cannot provide the required services. Seven of the eight handicap applications we reviewed were for special education. We found that:

--In one case the statement was not in the file.

--In two cases the statement was obtained, but it was not determined whether other DOD schools in the area offered the services needed.

OCHAMPUSEUR officials told us that they had not followed the practice of determining whether other DOD schools in a particular area could provide the necessary special education services. The OCHAMPUSEUR program administrator said that he intends to implement a policy whereby DOD school district officials will screen statements of nonavailability to determine if other DOD schools in the area can meet the special educational needs.

The above actions taken or planned for evaluating applications for handicap program benefits should improve controls over the program.

On April 30, 1974, the Deputy Assistant Secretary of Defense (Health Resources and Programs) announced that, effective July 1, 1974, certain benefits will no longer be provided under the handicap program. For example a beneficiary whose sole basis for eligibility is a "learning disability" will no longer qualify for benefits under CHAMPUS.

PROGRAM INFORMATION NOT PROMPTLY REACHING  
OCHAMPUSEUR

We noted several instances where OCHAMPUSEUR had (1) requested guidance but did not receive prompt responses and (2) received limited advance notice on major policy changes. Some examples follow.

- Effective April 1, 1973, changes were made in cost sharing for orthodontic care which reduced the amount paid by CHAMPUS. OCHAMPUSEUR was not advised of the change until April 1, 1973.
- OCHAMPUSEUR received notification from DOD of a change in the eligibility criteria for orthodontic care about July 9, 1973. The effective date of the change was July 15, 1973.
- Effective January 1, 1974, the time limit for filing claims was changed from 5 years to 2 years. DOD issued the policy on October 24, 1973. The Surgeon General forwarded the policy to OCHAMPUSEUR on January 10, 1974.
- In response to an Army Audit Agency finding that OCHAMPUSEUR was not reporting to the Internal Revenue Service amounts paid to American practitioners residing overseas (orthodontists and special education teachers), OCHAMPUSEUR requested guidance on reporting requirements from the Surgeon General and DOD in February 1973. An OCHAMPUSEUR official said that, although DOD had issued an instruction on reporting requirements on September 7, 1973, OCHAMPUSEUR did not receive any guidance. On January 14, 1974, OCHAMPUSEUR

obtained the instruction from the Air Force. However, officials of the Army's Office of the Surgeon General said they had previously informed OCHAMPUSEUR of tax reporting requirements.

Discussions with officials of DOD and the Army's Office of the Surgeon General indicated that the delays were often due to the need for several organizational elements to review the policy changes and to gather information and resolve policy questions. However, the lack of advance notice resulted from the short time between the establishment of policies and their implementation.

Delays in obtaining requested guidance on policy matters can impair the effectiveness of the program, and the failure to provide adequate notification of program changes affecting beneficiaries and sources of care may result in unanticipated financial hardships to beneficiaries.

There is a need for DOD to improve its communications with OCHAMPUSEUR so that sufficient advance notice is given on program changes and requested guidance is provided within a reasonable time.

DOD officials told us that responsibility for OCHAMPUSEUR may be transferred from the Army to DOD during 1974. If the transfer occurs, OCHAMPUSEUR would probably become responsible to the Office of CHAMPUS, Denver, and communications may be improved.

#### RECOMMENDATIONS

To improve the administration of the OCHAMPUSEUR program, we recommend that you:

- Require that the Army's Office of the Surgeon General obtain the necessary data to establish a basis upon which to judge the reasonableness of medical fees in Germany and the United Kingdom and require that OCHAMPUSEUR use this data to establish reasonable fee schedules.

- Require that the Army's Office of the Surgeon General monitor the implementation of OCHAMPUSEUR's plans for improving claims adjudication and the approval process on handicap applications.
- Establish procedures to improve communication between DOD and OCHAMPUSEUR to insure prompt (1) responses to requests for guidance and (2) notification of major policy changes.

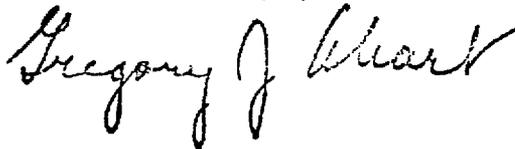
- - - -

We appreciate the courtesy and cooperation our representatives received during the survey and would like to be advised of any actions you plan or take on these matters.

We are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations, Government Operations, and Armed Services and the Director, Office of Management and Budget.

> 10 2000  
11 00 00

Sincerely yours,



Gregory J. Ahart  
Director